

notify CLECs of information on directory close dates and effective dates on the same basis as SNET is notified of such information. NECTA posits that given the bottleneck nature of this service, CSG should be priced at cost, without contribution, which is fully consistent with the 1996 Telcom Act. NECTA Brief, pp. 8 and 9.

H. TELEPORT COMMUNICATIONS GROUP (TCG)

TCG states that overall, it believes SNET's proposed tariffs to be contrary to the Department's policies and inconsistent with the Stipulation entered into between SNET and other parties adopted by the Department in its January 17, 1996 Decision in Docket No. 94-10-02. Accordingly TCG requests the Department accept its suggested revisions and order SNET to provide refunds, if appropriate.

TCG further contends that SNET's proposed tariff provisions are inconsistent with the 1996 Telcom Act and conflict with tentative findings of the FCC on the subject of interconnection. TCG recommends the Department reject SNET's proposed rates and terms and conditions, where appropriate, relating to NXX administration, directory listings, trunking arrangements and E-911. TCG claims that the record of this proceeding also supports a finding that SNET should offer a generally available meet-point billing arrangement, at rates which are reasonable and cost-justified.

1. Tariff Analysis

Section 2.12.2(F) - Credit Allowance for Service Interruptions - Local Exchange Access Services

SNET proposes that for customers of its local loop service "[n]o credit is allowed for interruptions to service of less than twenty-four hours." TCG claims that this provision is inconsistent with SNET's Special Access tariffs which provide credit allowances for interruptions of 30 minutes or more. TCG recommends that SNET be required to revise this section to provide credit allowances for interruptions to service of 30 minutes or more.

Section 18.1(B) - General

SNET proposes to define a local call. According to TCG, the proposed definition of local calls should conform with the Department's decision in Docket No. 94-10-02.

Section 18.5.2.3 - Co-Carrier/Network Interconnection Arrangements - Service Provider Local Number Portability - Regulations

TCG objects to SNET's SPLNP proposal that it only be available for Centrex-type services when SPLNP is ordered for conversion of all the end-user's telephone numbers. TCG argues that this proposal represents an unacceptable and unnecessary provision which will handicap CLEC sales efforts and potentially lead to an acceleration of numbering resources in Connecticut. TCG states that because customers will have to change their telephone number in order to utilize Centrex services of a CLEC, the

Department should retain maximum flexibility in the use of interim number portability solutions. TCG claims that SNET's proposed provision lacks any flexibility, because it is an all or nothing proposition requiring a CLEC to purchase the SPLNP service for all of the customer's Centrex telephone numbers. TCG maintains that this could potentially place an enormous strain on the availability of numbering resources in Connecticut.

Accordingly, TCG recommends that CLECs be permitted to utilize SPLNP service for the customer's main telephone number and then assign new telephone numbers to the customer for all of the Centrex service extensions. According to TCG, using SPLNP in this manner will permit a CLEC customer to retain the main telephone number, while providing the CLEC with the ability to conserve numbering resources for all of the telephone numbers.

Section 18.5.4.1 Co-Carrier/Network Interconnection Arrangements - POTS Trunking

TCG states that in this section, SNET indicates that POTS trunking:

provides for the termination of traffic which is originated by a switch facility based customer's local exchange end-user, in the State of Connecticut, and terminates at a Telephone Company local exchange end-user where the customer's end-user is assigned a telephone number residing within the customer's NXX code and the Telephone Company end-user is assigned a telephone number residing with a Telephone Company NXX code and where both exchange services bear 203 or 860 NPA-NXX designations.

TCG argues that this provision is unacceptable because it denies CLECs the ability to offer consumers diversity in their local telecommunications needs. TCG states that based on its experience, the vast majority of its customers will purchase local exchange service from both TCG and SNET, utilizing TCG for its outbound services and retaining SNET for its inbound services. TCG argues that under SNET's proposed language, TCG would not be able to terminate outbound traffic to SNET since the customer will not be assigned a telephone number residing within a CLEC NXX code. Rather, the customer will be assigned a SNET telephone number. TCG maintains that if this provision of the tariff is permitted to stand, consumers will lose the vendor and route diversity to which they have become accustomed.

Additionally, TCG finds SNET's proposed language represents an arbitrary, unreasonable and discriminatory restriction which the Department should recognize as contrary to the development of a seamless network of networks. TCG states that in today's telecommunications environment, carriers and end-users utilize a variety of technologies in their telecommunications networks. According to TCG, on a going-forward basis, end-user options will continue to multiply and they will have the ability to mix and match various technologies and carriers to satisfy their specific telecommunications needs. TCG claims that SNET's restrictive provision will undermine this natural development and prohibit an end-user from availing itself of the

vendor and route diversity currently available in the marketplace. TCG also claims that beyond the end-users, there are other network configurations which would be prohibited by SNET's proposed tariff language. TCG cites as an example, cellular carriers desiring vendor and route diversity. According to TCG, cellular carriers would be in the same position as an end-user, unable to utilize a competing local exchange carrier for outbound services.

TCG argues that SNET should not be permitted to discriminate between local calls based on the technology utilized to originate the call. TCG claims that as local exchange competition progresses, it will become increasingly difficult to make the distinctions SNET attempts here. According to TCG, whether a call is originated by a key system, a PBX, a Centrex service, a cellular MTSO, or a LEC end office is irrelevant; a CLEC should be permitted to deliver any local call (however defined) to SNET through the inter-carrier compensation arrangements established in Docket No. 94-10-02. In summary, TCG concludes that SNET's proposed limitation is far too restrictive and denies consumers the significant benefits associated with local exchange competition.

Section 18.5.4.1© - Co-Carrier/Network Interconnection Arrangements - POTS Trunking - Call Types. Section 18.5.4.3 - Transit Traffic

TCG claims that these sections suffer from the same defects as the section discussed above and should be revised accordingly.

Section 18.6.5.1 - Rates for E-911

TCG claims that in this section SNET attempts to levy significant charges for the provision of E-911 services with no supporting cost documentation. TCG states that as the record indicates, SNET's proposed mark-up is well above cost, and as with other physical trunking arrangements, the 1996 Telcom Act requires SNET to provide interconnection at cost-based rates. TCG recommends that SNET's proposal to charge excessive contribution for E-911 trunking and transaction charges be rejected and the Department require SNET to offer cost based rates for this service.

Section 18.6.5.4 - Rates for Network Interconnection Trunking

TCG argues that SNET's attempt to levy entrance facilities charges for the provision of CLEC trunk groups has no place in a local interconnection tariff. According to TCG, the attempt to charge CLECs for entrance facilities is contrary to the Department's findings in Docket No. 94-10-02. TCG suggests that SNET and CLECs establish trunking arrangements that are consistent with past industry practices which did not include charging for entrance facilities. TCG also recommends that the Department direct SNET to charge trunk rates set at TSLRIC, which includes a normal return on investment, absent a contribution.

Additionally, TCG maintains that the record reflects that various trunking provisions in SNET's proposed tariff are inefficient and costly. TCG recommends the

Department reject any provision which undermines trunking as it is the most fundamental interconnection element. According to TCG, the 1996 Telcom Act is clear in that it requires that physical interconnection charges be cost-based, non-discriminatory and may include a reasonable profit. TCG recommends, in order to facilitate efficient interconnection arrangements, that the Department order SNET to eliminate the provisions in this section that preclude a CLEC from combining traffic on a single trunk group. TCG also recommends that the Department require SNET to comply with the Department's order in Docket No. 94-10-02 and make two-way trunking arrangements available for CLECs at any end-office, tandem or other mutually acceptable meet-point. Moreover, TCG recommends that the Department direct SNET to eliminate any restrictions in its tariff that prevent CLECs from terminating local traffic to SNET through the local interconnection arrangements.

Lastly, TCG states it is concerned it cannot terminate traffic under SNET's local interconnection tariff if the local call originated from a non-TCG NXX code. TCG is concerned that the proposed language could prohibit other network configurations. TCG contends that under the Department's regulatory framework, a CLEC should be permitted to deliver any local call to SNET through the inter-carrier compensation arrangements established in Docket No. 94-10-02, unless otherwise restricted by federal rules.

Section 18.6.5.5.1 Rates for Co-Carrier/Network Interconnection Arrangements - Rates for Publishing - General

Section 18.6.5.5.1 of the tariff states: "[T]here is no non-recurring charge for listing orders when ordered in conjunction with a loop, port or Wholesale Local Service for the same end-user line." TCG contends that SNET's attempt to bundle its loop, port, and wholesale service with a directory listing service is unreasonable because it discriminates against purely facilities-based carriers seeking to list their customers in SNET's directory. TCG claims that SNET's proposal to charge some CLECs for an identical service that it provides to other CLECs without charge violates SNET's obligation to provide interconnection arrangements on terms which are just, reasonable and non-discriminatory. TCG maintains that SNET has ignored the terms of the Stipulation adopted in Docket No. 94-10-02 not to charge CLECs to provide directory listings for their customers and recommends that this provision be modified to reflect the fact that no charges apply to the listing of CLECs' customers in SNET's directories. According to TCG, this is consistent with the stipulation approved by the Department's January 17, 1996 Decision in Docket No. 94-10-02.

Moreover, TCG argues that SNET must charge a reasonable rate for CSG pages that does not include excessive contribution.

Section 18.6.5.6 Rates For Co-Carrier/Network Interconnection Arrangements - Rates for NXX Codes - 10,000 Numbers

TCG asserts that SNET has not proven it incurs costs to administer new NXX codes to CLECs and, therefore, SNET should not be permitted to impose the proposed

charge. TCG objects to the imposition of any charges associated with the administration of NXX codes, given that because the only function SNET would perform on TCG's behalf is the processing of the application for NXX code assignment. TCG argues that since this is the only function SNET performs, it already has personnel dedicated to the Company's own internal number administration, and there does not appear to be any additional costs to administer NXX codes.

TCG also states SNET has not shown that it will incur any additional costs in the course of providing non-discriminatory access to telephone numbers not already reflected in cost profiles. TCG recommends that until the FCC determines the manner in which all LECs will be responsible for numbering administration costs, the Department should not approve SNET's proposed charge. TCG argues that since SNET will not incur additional costs to administer codes during the transition period, SNET has not met its burden to demonstrate it will incur administration costs. Additionally, TCG claims that because the record of this proceeding reflects that SNET will not incur such costs, it will not be harmed if the Department does not authorize a charge prior to the FCC ruling on this issue. Therefore, TCG recommends that the administrative charge be eliminated. TCG January 17, 1996 Comments, pp. 1-8; TCG Brief, pp. 1-4, 5-12.

2. Meet-Point Billing

TCG claims that interconnection between carriers through a meet-point billing arrangement facilitates an open and efficient network of networks, consistent with the Department's articulated goals in Docket Nos. 94-10-02 and 94-10-04. TCG also claims that SNET has not proven it will incur the start-up and development costs that it seeks to impose on each CLEC. TCG argues that there are several problems with the proposed charge. For example, SNET is already performing a meet-point billing arrangement for Woodbury Telephone and SNET has not made clear why it must develop a completely new system to bill CLECs. Second, SNET has not provided any cost support for its proposal to impose an NRC for meet-point billing. TCG states that even if it did provide acceptable cost support, SNET has not proven whether its entire development costs are \$28,374, thereby making it unreasonable to recover the whole charge many times from each CLEC, or whether each CLEC's share of development costs would be \$28,374. TCG contends that SNET's cost claims are spurious and must be rejected. TCG Brief, pp. 4 and 5.

TCG also states that in order to facilitate this important interconnection function, the Department should require SNET to tariff a reasonable meet-point billing arrangement and to provide cost support for its proposed rates and charges. According to TCG, such generally available terms will ensure that all carriers have access to an arrangement which is provided on a just, reasonable and non-discriminatory basis in accordance with Department policy and with Section 251(c)(2)(D) of the 1996 Telcom Act. TCG also maintains that this is consistent with the Department's policy that rate setting for interconnection be conducted in an open and public forum. TCG Brief, pp. 4 and 5; TCG Reply Brief, pp. 4 and 5.

3. Credit Allowance for Service Interruptions

TCG proposes the Department order SNET to treat CLECs on a non-discriminatory basis with regard to service interruptions. According to TCG, in SNET's proposed tariff, Section 2.12.2(F), SNET states that no credit is allowed for interruptions to service of less than 24 hours for customers of its local loop service. TCG argues that this provision is inconsistent with SNET's Special Access tariffs which provide a credit allowance for interruptions of 30 minutes or more. TCG also argues that to maintain high quality service for all customers, the Department must require SNET to revise this section to provide credit allowance for interruptions to service of 30 minutes or more. TCG Brief, p. 11.

V. DEPARTMENT ANALYSIS

A. STATUTORY FRAMEWORK

As set forth in Section III, above, the principal purpose of this proceeding is to establish rates to be charged by SNET for interconnection offerings to CLECs. Specifically, SNET has proposed rates for common trunk interconnection arrangements; the electronic interface to the E-911 database; Interim Service Provider Local Number Portability; NXX administration and the charges associated with a CLEC's inclusion of information in the Customer Service Guide Pages of SNET's directories. In determining such rates, the Department is bound by the mandates of Conn. Gen. Stat. § 16-247b as well as the provision of the 1996 Telcom Act.

1. Connecticut General Statutes - Section 16-247b

Conn Gen. State. §16-247b provides:

(a) On petition or its own motion, the department shall initiate a proceeding to unbundle the noncompetitive and emerging competitive functions of a telecommunications company's local telecommunications network that are used to provide telecommunications services and which the department determines, after notice and hearing, are reasonably capable of being tarified and offered as separate services. Such unbundled functions shall be offered under tariff at rates, terms and conditions that do not unreasonably discriminate among actual and potential users and actual and potential providers of such local network services.

(b) Each telephone company shall provide reasonable nondiscriminatory access to all equipment, facilities and services necessary to provide telecommunications services to customers. The department shall determine the rates that a telephone company charges for equipment, facilities and services which are necessary for the provision of telecommunications services. The rate that a telephone company charges for a competitive or emerging competitive telecommunications service shall not be less than the sum of (1) the rate charged to another telecommunications company for a noncompetitive or emerging competitive local network service function used by that company to provide a competing telecommunications service and (2) the applicable incremental costs of the telephone company.

(c) A telephone company shall not use the revenues, expenses, costs, assets liabilities or other resources derived from or associated with providing a noncompetitive service to subsidize its provision of competitive, emerging competitive or unregulated telecommunications services.

Conn. Gen. Stat. § 16-247b.

Trunk interconnection arrangements, the electronic interface to the E-911 database, Interim SPLNP, NXX administration and the charges associated with a CLEC's inclusion of information in the CSG pages of SNET's directories are noncompetitive functions of SNET's local telecommunications network that are used to construct telecommunications services and are reasonably capable of being tariffed and offered separately. Therefore, under provisions of Conn. Gen. Stat. § 16-247b, the Department must establish nondiscriminatory and compensatory rates and charges for each. As detailed in Section III above, previous Department Decisions require SNET to offer for resale the discrete network elements deemed necessary to interconnect facilities-based networks of competitors to SNET's customers. The Department must establish nondiscriminatory and compensatory rates for such offerings.

2. Telecommunications Act of 1996

In determining the rates to be imposed by SNET for interconnection offerings to CLECs, the Department is also bound by the 1996 Telcom Act. The relevant portions of the 1996 Telcom Act are as follows:

Section 3(a)(46) - Definitions.

Number portability.--The term "number portability" means the ability of users of telecommunications services to retain, at the same location, existing telecommunications numbers without impairment of quality, reliability, or convenience when switching from one telecommunications carrier to another.

Section 251(c)(2)(D) - Interconnection.

On rates, terms, and conditions that are just, reasonable, and nondiscriminatory, in accordance with the terms and conditions of the agreement and the requirements of this section and section 252.

Section 251(e) - Numbering Administration.

(1) Commission authority and jurisdiction.--The Commission [FCC] shall create or designate one or more impartial entities to administer telecommunications numbering and to make such numbers available on an equitable basis. The Commission shall have exclusive jurisdiction over those portions of the North American Numbering Plan that pertain to the United States. Nothing in this paragraph shall preclude the Commission from delegating to State commissions or other entities all or any portion of such jurisdiction.

(2) Costs.--The cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission.

Section 251(e)(2) - Costs.

The cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission [FCC].

Section 252(d)(1) - Pricing Standards.

Interconnection and network element charges. Determinations by a State Commission of the just and reasonable rate for the interconnection of facilities and equipment for purposes of subsection (c)(2) of section 251, and the just and reasonable rate for network elements for purposes of subsection (c)(3) of such section --

(A) shall be--

(i) based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) of providing the interconnection or network element (whichever is applicable), and

(ii) nondiscriminatory, and

(B) may include a reasonable profit.

Section 271(c)(2)(B)(ix) - Specific interconnection requirements.

Until the date by which telecommunications number administration guidelines, plan, or rules are established, nondiscriminatory access to telephone numbers for assignment to the other carrier's telephone exchange service customers. After that date, compliance with such guidelines, plan, or rules.

B. CONCEPTUAL FRAMEWORK

In order to establish rates and charges for common trunk interconnection arrangements, the electronic interface to the E-911 database, SPLNP, NXX administration and the charges associated with a CLEC's inclusion of information in the CSG pages of SNET's directories, the Department must address three central issues for each proposed service -- Cost, Contribution and Competitive Consequence. An examination of these issues is consistent with the intent of Conn. Gen. Stat. § 16-247b and is enjoined by Public Act 94-83's mandate for a multi-provider market.

1. Cost

In this proceeding, SNET submitted for consideration by the Department proposed rates and charges for common trunk interconnection arrangements, the electronic interface to the E-911 database, SPLNP, NXX administration and the charges associated with a CLEC's inclusion of information in the CSG pages of SNET's directories. SNET asserts that its proposed rates are above their TSLRIC level in compliance with the requirements of law. In support of its position, SNET submitted a series of cost studies undertaken to demonstrate that costs for the proposed offerings are relatively high and, accordingly, warrant rates and charges that permit SNET to be fully compensated for its cost of making those offerings available to competitors. See for example SNET Exhibit VJW-2, Attachments 1 through 23.

As evidenced from the discussion of participants' positions above, the other participants in this proceeding challenge the assertion that relevant costs are as high as SNET's cost studies appear to suggest. Participants base their challenge on two critical disagreements with SNET's cost studies -- the assumptions used in the studies and the methodological techniques employed. In both situations, opponents contend that SNET purposefully disregarded generally accepted economic principles and specific Department directives issued in prior proceedings when performing its cost studies. In its investigation in this proceeding, therefore, the Department has critically examined the economic assumptions, forecasting techniques and empirical methodologies employed by SNET to calculate base costs for the offerings presented for consideration. Specific emphasis has been given to determining the level of SNET compliance with prior Departmental instructions for cost study submissions as detailed in Section III, above.

The Department maintains the opinion it has expressed in previous Decisions that the determination of reasonable cost thresholds is absolutely essential to providing

meaningful competition and to realizing broader public benefit in a multi-provider market. A generally recognized and accepted tenet embodied in Public Act 94-83 is that cost must serve as the primary determinant of telecommunications prices if economic efficiency is to prevail in the multi-provider market envisioned by the legislature. Determining appropriate cost thresholds for offerings such as those presented in this proceeding is especially important. The offerings proposed in this proceeding represent exclusive offerings of SNET which will be made available to prospective competitors for reuse in their own competitive services. A cost and associated price that is too high will discourage competitive entry and severely limit broader market participation. A cost and associated price that is too low will greatly increase the level of financial benefit presented to prospective providers by resale competition and discourage the development of alternative telecommunications infrastructure in Connecticut, possibly limiting the choice of services and providers intended by passage of Public Act 94-83.

2. Contribution

The differences of opinion in this proceeding on the issue of contribution center on the level of contribution that should be provided by the rates and charges of the offerings in question in this proceeding. Opponents of SNET's proposed rates generally recommend that the Department approve little or no contribution above the TSLRIC level for various reasons. In the opinion of SNET's competitors, the proposed offerings represent noncompetitive functions considered essential to competitors' participation in the market. SNET counters that some markup is necessary from all products and services if it is to survive in the long term and has, accordingly, included some markup above cost in all its proposed prices. SNET maintains, however, that its proposed rates reflect lower levels of contribution for critical functions. Lastly, the parties argue that Section 252(d)(1) of the 1996 Telcom Act requires interconnection and network element charges be "based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) . . . and may include a reasonable profit."

Historically, the Department has pursued a policy in matters of contribution that has exhibited two universal design principles:

- **selectivity** - rates and charges for individual products/services generate a level of contribution to SNET that may differ from that provided by other products/services of SNET or by similar products offered elsewhere in the telecommunications industry
- **pooling** - contribution from individual products/services is combined with contribution (or lack of contribution) from other products/services of SNET to evaluate the aggregate state of financial performance for compliance with Department directives

In the instant proceeding, the participants have generally acknowledged and accepted the pertinence of both principles to the determination of rates and charges for the offerings in question.

The Department is not persuaded by the parties' argument that SNET's proposed offerings be priced solely at their TSLRIC without any further contribution to its joint and common costs. While SNET's TSLRIC studies make provisions for a return on investment, the Department does not accept that SNET's cost and pricing calculations have provided for a reasonable profit. As discussed in great detail in the Department's June 15, 1995 Decision in Docket No. 94-10-01, pricing offerings at TSLRIC does not permit SNET to recover all of its costs (i.e., joint and common costs). The Department questions how SNET can earn a reasonable profit while pricing its offerings solely at TSLRIC. The 1996 Telcom Act at Section 251(d)(1) provides States with the ability to set rates that are just and reasonable. In its January 17, 1996 Decision in Docket No. 94-10-02, the Department has required that interconnection and network element rates be priced at TSLRIC plus a reasonable contribution which in the opinion of the Department is consistent with the 1996 Telcom Act.

3. Competitive Consequence

Passage of Public Act 94-83 significantly expanded the opportunity for direct market participation by competitive telecommunications providers in Connecticut. The ability to resell SNET facilities is considered by most prospective participants essential to any pursuit of that opportunity as evidenced by arguments in this and prior proceedings before the Department. Likewise, the Department has fully endorsed resale of SNET's local telecommunications network as a means to stimulate competition, accelerate market entry and reduce the level of initial financial commitment necessary to participate in the development of this new market.

The scope, scale or duration of any resale market created by rates and charges approved in this proceeding is of considerable import to both this Department and to the public of Connecticut. SNET has proposed rates and charges that other participants consider to be extraordinarily high and competitively discouraging.

The Department is of the opinion that rates and charges that are set too high may unduly limit competitive participation by some competent and capable competitors. That would effectively limit the range of choices available to the Connecticut public and would thus fail to meet the goals of Public Act 94-83. Correspondingly, rates and charges that are set too low will only prolong the existence of a resale market and retard the eventual development of facilities-based competition in Connecticut. That, too, would fail to achieve a stated goal of the Act. It is essential, therefore, that the Department seriously consider the implications of any rate or charge it establishes in this proceeding to the achievement of the strategic goals and objectives of Public Act 94-83.

C. COST OF SERVICE STUDIES

In prior Department Decisions, SNET has been directed to file with its cost studies sufficient documentation (e.g., underlying assumptions, data inputs and algorithms) to enable independent evaluation of both the methodology used and the

results of its studies. See for example, the Department's August 8, 1990 Decision in Docket No. 88-03-31, p. 15; June 28, 1991 Decision, Docket No. 89-12-05, pp. 18, and 19, 47, and most recently in the December 20, 1995 Decision in Docket No. 95-06-17, pp. 76-79.²⁸

As part of the November 8, 1995 filing SNET provided proposed rates for the instant offerings based on each offerings' incremental costs with a contribution to overhead. According to SNET, the costs for most elements reflect the one-time transaction expenses associated with each of the functions described. Where costs include developmental effort to provide the service, the total cost was divided by an estimate of the number of CLECs that require the offering to determine a cost per customer. SNET stated that TSLRIC costs were developed for SPLNP, based on a three year forecast of the expected demand. Wimer November 8, 1995 Testimony, p. 7.

Subsequent to the initial filing of cost studies in this proceeding, the Department issued its Decision in Docket No. 95-06-17. In that Decision, the Department established interim rates for unbundled loops, ports and wholesale local service basic because the Department found SNET's cost studies to be flawed. Specifically, the Department ordered SNET to: (1) submit sufficient documentation so that every step of the analysis could be replicated and to provide and document all source data used to the degree that an audit trail was readily discernible, with the service's TSLRIC delineated from the proposed contribution; (2) develop an allocation methodology for hybrid fiber coax (HFC) costs reflective of the concerns expressed by the Department and the FCC; (3) treat all costs as variable; (4) discontinue the utilization of capacity costing techniques; (5) use the prescribed depreciation lives established in Docket No. 94-10-03; (6) reduce investment costs for digital loop carrier (DLC); (7) adhere to the jurisdictional separations rules prescribed by the FCC; and (8) attribute only a portion of the loop to local service. On February 5, 1996, SNET submitted revised cost studies that it believed were consistent with the December 20, 1995 Decision in Docket No. 95-06-17.

SNET asserts that its February 5, 1996 cost submissions are in direct compliance with the Department's cost study requirements. According to SNET, its February 5, 1996 submittal consisted of detailed cost information, including all of the underlying assumptions and data inputs used by SNET in obtaining the study results. SNET argues that these submissions also delineate the services' TSLRIC from the proposed level of contribution. Additionally, the investment costs included in the study were updated to reflect the prescribed depreciation lives per the Decision in Docket No. 94-10-03. SNET Reply, Brief, pp. 3 and 4.

²⁸ On April 29, 1996, SNET submitted revised cost studies with the Department. SNET states that these cost studies have been updated and revised consistent with the Department's December 20, 1995 Decision in Docket No. 95-06-17. SNET also states that the cost studies include detailed analysis of the enhanced network architecture development costs and SNET's joint and common costs in support of rates for the services studied. Lastly, the Company states that the cost studies also incorporated connection and disconnection costs for several new services. April 29, 1996 SNET Letter to the Department, Docket No. 95-06-17, p. 1.

MFSI objects to SNET's proposed tariffs, arguing that in some cases they do not contain cost studies that have a readily discernible audit trail, and because SNET has failed to delineate TSLRIC from proposed contribution. Ball Testimony, p. 5. NECTA also objects to SNET's filing because it believes the Company's cost data is deficient and unreviewable. According to NECTA, it is principally concerned with SNET's failure to justify its own cost inputs and those supplied to it by Bellcore. NECTA Brief, pp. 3 and 4.

The Department has reviewed SNET's TSLRIC studies filed in support of the proposed rates in this proceeding. Based on this review, the Department finds that SNET has submitted improved cost studies over those initially filed in Docket No. 95-06-17. While the Department believes that SNET has made progress with its cost studies, the assumptions used by SNET in calculating the proposed services' TSLRIC costs in this proceeding are problematic. Specifically, the Department disagrees with various assumptions (contribution levels, SPLNP investments, etc.) made by SNET in these studies, because they exceed acceptable levels for various offerings which the Department has determined to be essential. See for example, the Department's discussion of SPLNP costs in Section 3., below. Nevertheless, SNET has submitted revised TSLRIC studies in Docket No. 95-06-17, which are currently under review by the Department. Any further modifications to SNET's TSLRIC studies submitted in Docket No. 95-06-17 resulting from the Department's review, may require the cost studies submitted in this proceeding to also be modified. Such modifications could also produce changes to the rates and charges currently under review in this proceeding. Based on the results of its investigation in Docket No. 95-06-17, the Department will adjust the service rates and charges reviewed in this proceeding accordingly.

D. PROPOSED SERVICES

As noted above, SNET seeks approval to offer certain interconnection arrangements and other features associated with the Company's local access tariff. Specifically, the proposed offerings include: common trunk interconnection arrangements; the electronic interface to the E-911 database; interim Service Provider Local Number Portability; the Customer Service Guide Pages of SNET's published directories; and sharing of the costs associated with NXX administration. A brief description of each proposed service is as follows:

Physical interconnection arrangements - SNET's tariff filing provides a description of the technical specifications and the rates of the components that will be incorporated into many of the negotiated agreements. These components include: interconnection trunk specifications for a one-way option for Local Exchange Service and the trunking arrangements and call types that can be handled on this type of trunk group; Emergency Service Central Office; E-911 trunk interconnection including diversity and E-911 port; transit traffic; and SS7 interconnection arrangements. The rates associated with these proposed interconnection elements are the same as those set forth in SNET's Connecticut Access tariff for the same functions.

E-911 - SNET's proposed tariff delineates the method by which facilities-based CLECs may electronically interface with the E-911 database. SNET's tariffed service allows switch facilities-based CLECs access to their customers' records in the E-911 database and will enable them to electronically update the data (adding new customers or updating current customer information). CLECs also may use the Master Street Address Guide (MSAG) to obtain valid E-911 addresses electronically.

Service Provider Local Number Portability - SPLNP is a service which allows an end-user to retain its current telephone number when it changes its local service provider, as long as the customer remains within the same geographic area served by the SNET NXX. SNET's proposed SPLNP service utilizes remote call forwarding techniques whereby the call forwarded-to-number is permanently installed in the switch via a service order. When SPLNP is used, all terminating calls to the end-user will be routed to the SNET NXX and the switch where the end-user's existing NXX resides, and then forwarded to the new service provider's switch and NXX to terminate to the end-user. SNET will incur the cost to implement the feature in the switch and to transport the call to the CLEC switch. SNET's proposed SPLNP rate is a flat rate which covers the feature implementation costs and the transport costs for the average amount of terminating traffic.

NXX Administration - NXX administration involves the assignment and recovery of NXX codes; communication of the assignment of an NXX to the Nation; the planning for Number Plan Area exhaust; and compliance with industry standards. SNET's proposed tariffs seek to recover SNET's costs as the current administrator for NXXs.

Customer Guide Pages - SNET's proposed tariff for Customer Guide Pages allows CLECs to include information in the Customer Guide Pages of SNET's regularly published directories on the same terms and conditions as provided to SNET.

SNET Brief, pp. 4 and 5.

1. Technical Specifications for Interconnection

While the parties have not expressed concerns over the technical parameters for interconnection, they have objected to SNET's failure to tariff two-way trunking and meet-point billing. For example, OCC argues that SNET's proposed tariff violates the Department's directives provided in its January 17, 1996 Decision in Docket No. 94-10-02. OCC Brief, pp. 21 and 22. MCI concurs and states that SNET should be required to tariff meet-point billing arrangements. MCI Brief, p. 21. MFSI claims that SNET's proposed tariff would require inefficient trunking arrangements. MFSI also claims that meet-point billing arrangements should be tariffed with non-discriminatory, cost justified rates. MFSI Brief, pp. 20 and 21. TCG concurs and states that

interconnection between carriers through a meet-point billing arrangement facilitates an open and efficient network of networks consistent with the Department's goals in Docket No. 94-10-02. TCG Brief, p. 4.

As the Department stated in its January 17, 1996 Decision in Docket No. 94-10-02 at page 57:

... interconnection shall be established at points where it is most efficient and technically feasible. At a minimum, all prospective providers of local exchange services will be authorized to interconnect at tandem offices or serving end offices, mutually acceptable meet-points or any other arrangement or location that can be agreed to by both carriers. Preferred trunking arrangements will be two-way facilities, unless both carriers agree that one-way is more appropriate.

In addition, the Department stated at page 83 that:

... to ensure that carriers are afforded access to unbundled rate elements under the same terms and conditions, rate setting must be conducted in an open and public forum. Therefore, SNET is hereby ordered to file all proposed arrangements for interconnection and unbundling pursuant to tariff.

As noted above, the Department's Decision in Docket No. 94-10-02 provided network interconnection trunking not be tarified as a general offering until such time as a carrier negotiated the first arrangement. Once that service arrangement is negotiated and approved by the Department, SNET is to make that tariff available to all users on the same terms and conditions. To date, no tariff detailing such a custom service arrangement has been filed with the Department. The Decision in Docket No. 94-10-02 also provided those parties who were not satisfied with the service arrangement's terms and conditions the ability to either negotiate another arrangement (which would also become a tariff once approved by the Department) or if the negotiation was not successful, the party could raise the issue before the Department for resolution.

As of the date of this Decision, the Department has not received any objection concerning SNET's provision of network interconnection arrangements. MCI has requested the Department order SNET to tariff meet-point billing arrangements in a generally available tariff. According to MCI, SNET has refused to tariff meet-point billing, thus requiring new entrants to negotiate with SNET for the provisioning of this service. MCI Brief, p. 22. The Department finds that SNET is following directives provided for in the January 17, 1996 Decision in Docket No. 94-10-02. The Department also finds no reason to change this procedure at this time and order SNET to tariff a general meet-point billing arrangement. As evidenced by Late Filed Exhibit No. 2, supplemental response, negotiations are currently underway for meet-point billing arrangements. The Department has also put into place the procedures that should be followed by the parties when negotiations are at a standstill, or when the arrangements prove to be unsatisfactory for either party. In addition, the Department notes from the

outset that once interconnection arrangements have been negotiated, any party desiring the same arrangement will be provided the service under the same terms, conditions and rates negotiated in the original arrangement, until that arrangement is approved as a general tariff offering. Any modification to the arrangement shall be done on a tariff basis, and shall be subject to a true-up from the negotiated service date to the tariff's effective date. Accordingly, the Department denies the parties' request to order SNET to tariff meet-point billing arrangements.

TCG excepts to the Department's requirement that meet-point billing and tandem subtending arrangements be treated in the same manner as meet-point billing arrangements for purposes of network interconnection. Rather, TCG recommends that the Department direct SNET to revise its tariffs to include these arrangements in conformance with the Ordering and Billing Forum of the Industry Carriers Compatibility Forum. TCG Written Exceptions, pp. 1-4. TCG correctly indicates that SNET is required to establish meet-point billing and tandem subarrangements under both the 1996 Telcom Act and Public Act 94-83. The record of this proceeding does not satisfactorily demonstrate why the Department's prescribed treatment for meet-point billing and tandem subtending arrangements should differ from that outlined above. Accordingly, the Department will require that these arrangements be considered during the negotiation process between SNET and the CLECs. The Department does expect however, in keeping with the spirit and intent of the 1996 Telcom Act and PA-94-83, that current existing industry guidelines form the basis of these negotiations.

2. E-911

Generally, the parties object to SNET's proposed rates and contribution levels for its E-911 offering. AT&T argues that E-911 is a public interest offering designed to benefit the safety and call management needs of consumers and should not contain large amounts of contribution. AT&T Comments, p.10; Salvatore Testimony, pp. 11 and 12. MCI also objects to SNET's proposed E-911 rates claiming that they are excessive. MCI attributes these high rates to SNET's proposed contribution levels which it characterizes as extraordinarily high. According to MCI, interconnection with the E-911 system is a critical component of interconnection of new entrants and is critical to the public safety. Geisy Testimony, pp. 17 and 18, MCI Brief, p. 18. In addition, both MFSI and TCG contend that the proposed offering should be priced at cost. MFSI argues that there is no basis for SNET to earn a mark-up on the provision of this offering, while TCG claims that as with other physical arrangements, the 1996 Telcom Act requires SNET to provide interconnection at cost-based rates. Ball Testimony, pp. 16 and 17, MFSI Brief, p. 18; TCG Comments, p. 6, TCG Brief, p.12.

Connection with the E-911 database is essential to a CLEC because E-911 access is critical to the safety of Connecticut citizens. The proposed tariff describes the method a CLEC would use to interface with the E-911 database and the MSAG. Rates for CLEC E-911 access include a non-recurring charge, a flat monthly charge, a per record update charge and a charge to download the MSAG. The Department has analyzed the costs and contribution levels of E-911 service and finds that the proposed contribution is set too high. Currently, SNET is the only entity that can provide this

capability. These are essential capabilities for which there are currently no alternatives and, as such, there is no market driven price, and the Department does not expect one in the immediate future. Today this capability is not discretionary and as such, SNET should not be allowed to recover more than a minimum contribution.

SNET has included a contribution in its proposed E-911 rates that range from [PROPRIETARY] to [PROPRIETARY]. While in its January 17, 1996 Decision in Docket No. 94-10-02, the Department endorsed the concept that service rates contain some level of contribution, it did not prescribe a specific contribution level because it was not prudent or purposeful in a competitive environment. January 17, 1996 Decision, Docket No. 94-10-02, p. 76. The Department believes that for those essential services that can only be technically provided by SNET, the contribution level should be set to the lowest compensatory level. Accordingly, the Department finds the E-911 contribution level should not exceed 15%.

AT&T also believes that SNET's proposed contribution level for its 900 Blocking Service is excessive. AT&T Comments, p.10; Salvatore Testimony, pp. 11 and 12. The Department agrees and believes that similar to E-911, 900 Blocking Service also satisfies a public interest requirement by limiting an end-user's access to a provider's 900 service network. Currently, 900 Blocking Service can only be provided by SNET and therefore, is an essential service. Since 900 Blocking Service is not discretionary, SNET should not be permitted to recover more than a minimum contribution. Accordingly, the Department finds that the 900 Blocking contribution level should not exceed 15%.

3. Service Provider Local Number Portability (SPLNP)

The issue causing the greatest contention during this proceeding was SNET's proposed SPLNP rates. All of the parties object to SNET's proposed SPLNP rates arguing that they are excessive and should be rejected. OCC, in comparing SNET's proposed SPLNP rates to those in other jurisdictions, argues that SNET's proposed SPLNP rates and costs are excessive. OCC Brief, p. 6. AT&T concurs and claims that SNET's proposed SPLNP rates are methodologically flawed. AT&T argues that SNET's proposed SPLNP pricing violates the 1996 Telcom Act because under SNET's proposal, only CLECs ordering interim SPLNP bear the costs of implementation, while the 1996 Telcom Act requires a competitively neutral sharing of LNP costs by all telecommunications carriers. AT&T Comments, p. 5, Salvatore Testimony, pp. 4 and 5. MCI also objects and recommends that the Department reject SNET's proposal, and, instead, adopt a pooling mechanism whereby all service providers contribute to the cost of interim number portability. MCI also recommends that if the Department does not accept its proposal, the Department should adopt the rates ordered by the Michigan Public Service Commission. Geisy Testimony, pp. 4, 6-17, MCI Brief, p. 2, 5-8. NECTA agrees and contends that the pricing of SPLNP should exclude the proposed contribution and be priced at cost. NECTA further states that pricing SPLNP at cost, (which includes a reasonable profit in the form of a rate of return component), is consistent with Section 251(d)(1) of the 1996 Telcom Act. NECTA Brief, p. 5. Lastly, TCG claims that SNET's proposed SPLNP tariff lacks any flexibility because it requires

a CLEC to purchase the SPLNP service for all of the customer's Centrex numbers. TCG states that this could potentially place an enormous strain on the availability of numbering resources in Connecticut. TCG Comments, p. 2.

While MFSI concurs with the other parties regarding SNET's proposed SPLNP cost and rate structure, MFSI is also concerned with SNET's proposal to flow through access charges to CLECs. In particular, MFSI is concerned with SNET's proposal to pass on to CLECs the revenue for the end office switching and Carrier Common Line access charges. According to MFSI, CLECs would be deprived of a substantial portion of access revenue that rightfully belongs to CLECs as provided in the Department's Decision in Docket No. 94-10-02, the 1996 Telcom Act and industry practice. MFSI recommends that those revenues passed on to CLECs include the local transport facility charge, the local termination charge and the residual interconnection charge. Ball Testimony, p. 22, MFSI Brief, 7.

SPLNP is an interim solution to address the problem of number portability. Number portability provides an end-user who is switching carriers the ability to retain the same telephone number if that end-user so desires. Under SNET's filing, SPLNP would permit CLEC customers to retain their current telephone number when changing their provider of local exchange service as long as their location remains within the same geographic area served by the SNET NXX. SNET proposes to provide SPLNP for \$4.50 for each number per month and \$2.50 per month for each additional path, using central office RCF features and trunks to make the added connections. SNET also proposes that a non-recurring charge of \$15 be imposed for each number ported.

SNET's proposed rates for SPLNP are interim pending development of a permanent solution to local number portability. In the January 17, 1996 Decision in Docket No. 94-10-02, the Department stated:

. . . Recovery of the costs associated with the provision of this service requires that it be conducted in a fair and equitable manner so as to not burden one carrier over another or the Connecticut consumer. Since all service providers and consumers will most likely benefit from a long term solution to the number portability issue, it is clear that all carriers alike (LECs and CLECs) would be responsible for the costs of deploying the technology. However, since the use of RCF or DID on an interim basis will benefit only a relatively small number of carriers and consumers, the Department does not believe that it is appropriate, nor is it equitable that all end users be responsible for the costs, given this is a temporary offering that will be replaced within a short time. Since this interim solution will principally benefit new market entrants and a select group of end users, it is the opinion of the Department that only they should be held responsible for any cost associated with its provision. Accordingly, until such time as a long term number portability solution is offered, only those carriers requesting an interim arrangement will be responsible for the costs associated with its provision.

January 17, 1996 Decision, Docket No. 94-10-02, p. 81.

The Department finds that the parties have offered no new evidence warranting a change from the Department's previous Decision. In addition, the Department finds that the parties have offered no basis or rationale for their argument relative to the 1996 Telcom Act. The 1996 Telcom Act requires as part of the requirements for providing certain in-region interLATA Services that:

until the date by which the Commission issues regulations pursuant to section 251 to require number portability, interim telecommunications number portability through remote call forwarding, direct inward dialing trunks, or other comparable arrangements, with as little impairment of functioning, quality, reliability, and convenience as possible. After that date, full compliance with such regulations.

1996 Telcom Act, Section 271(c)(2)(B)(xi).

As indicated above, the 1996 Act does not make provisions for cost recovery for interim number portability, and only after the FCC issues its number portability regulations does the 1996 Telcom Act require full compliance with Section 251 regulations. Section 251 of the Act also requires that the permanent solution be technically feasible and "be borne by all telecommunications carriers on a competitively neutral basis as determined by the [Federal Communications] Commission." 1996 Telcom Act, Section 251(E). In the Department's opinion, this does not mean that all carriers should pay the same costs. What this does mean, will be the subject of FCC interpretation and could result in the carrier that causes the cost to be incurred, to be responsible for the cost. This is consistent with past FCC interpretations related to cost responsibility and equal access costs. However, like equal access costs, the Department expects that all carriers will share in the development costs because all carriers, both local and interexchange, will benefit by telephone number portability. Based on the January 17, 1996 Decision in Docket No. 94-10-02, and the status of the FCC's implementation rules and regulations required pursuant to the 1996 Telcom Act, the Department reaffirms its Decision that only those carriers requesting interim number portability be responsible for the costs; the Department does not believe that further action on this issue is warranted at this time.

What is at issue is whether SNET's interim number portability rates and charges are reasonable. The Department finds that SNET's proposal to port numbers appears reasonable, and is consistent with the Decision in Docket No. 94-10-02, given available technology. However, the Department's review of SNET's interim number portability cost analysis demonstrates that its proposed rates are unreasonable. The Department finds that SNET's proposed rates are excessive by any standard, whether analyzing estimated cost, rates and charges, and contribution, or comparing LNP rates in other jurisdictions. See for example, Late Filed Exhibit No. 3.

Based on review of SNET's cost and revenue analysis, the costs which form the basis for SNET's monthly recurring rates are for central office switching and transport.

The Department finds that these cost components appear to be significantly overstated. SNET's estimate for the central office function cost ranges from virtually [PROPRIETARY] for a DMS switch, to [PROPRIETARY], an extremely high investment cost, for its #5ESS switch. See SNET Exhibit VJW-2 Revised, Attachment 12, p. 1. The Department also finds that SNET's estimated costs for the two different switches, DMS and #5ESS, have not been satisfactorily justified. In the Department's opinion, SNET has not provided sufficient justification as to why its #5ESS switch costs are [PROPRIETARY] times those of the DMS switch in order to provide the same service. Additionally, based on the Department's review of the #5ESS switching cost of providing LNP in other jurisdictions, the Department finds further support that those LECs possess lower costs. Late Filed Exhibit No. 4.

The Department has also reviewed SNET's other costs to provide SPLNP transport. The Department finds that SNET has provided little justification for the added transport costs it will experience in providing SPLNP, except for the average distance between its tandem switches and end offices. SNET has provided no supporting evidence as to the total transport cost because it has no experience. The Department believes that SNET's SPLNP transport cost analysis focuses on the extreme cost scenario rather than the likely cost case. The Department finds that SNET has not sufficiently justified its cost estimate, and its cost estimate does not appear to be credible given the LNP cost estimates in other states.

The Department also finds that SNET's contribution levels have been set too high. While the Department believes that it is proper for SNET to apply a contribution to its TSLRIC cost, the Department does not believe the high contribution added to its inflated investment costs makes the proposed rates for SPLNP reasonable.

Therefore, in light of the above, the Department will order its own SPLNP recurring and non-recurring charges be implemented. Based on the Department's analysis of SNET's cost and rate structure, SNET will be permitted to impose a \$1.00 monthly charge for each line ported for end-users switching carriers and locations as long as the end-user continues to receive service from the same central office. The Department bases this charge on SNET's monthly cost of its DMS switches [PROPRIETARY], SNET Exhibit VJW-2, Revised Attachment 10, p. 6; 50% of SNET's transport costs [PROPRIETARY], SNET Exhibit VJW-2, Revised Attachment 13, p. 2; and a 15% contribution. The Department will revisit SNET's costs for its SPLNP service once it has gained some experience in providing this service. However, the Department believes that this will be unnecessary, since a long-term solution is likely to be adopted by the FCC in the near future.

Subsequent to the Department's issuance of the Draft Decision on June 18, 1996, the FCC on July 2, 1996 issued its "First Report and Order and Further Notice of Proposed Rulemaking," (July 2, 1996 Order) CC Docket No. 95-116, In the Matter of Telephone Number Portability. In that Order, the FCC concluded that "it should adopt guidelines that the states must follow in mandating cost recovery mechanisms for currently available number portability methods." July 2, 1996 Order, ¶127, p. 66. The FCC adopted two criteria when seeking interim number portability cost recovery.

Specifically, the FCC determined that the adopted cost recovery mechanism should be competitively neutral in that it should not offer one service provider "an appreciable, incremental cost advantage over another service provider, when competing for a specific customer." Id., ¶132, pp. 68 and 69. The second criteria adopted by the FCC required that the interim number cost recovery mechanism "not have a disparate effect on the ability of competing service providers to earn normal returns on their investment." According to the FCC, dividing interim number portability costs equally among carriers would violate the second criteria. Id., ¶135, p. 70.

The FCC notes that §251(3)(2) of the 1996 Telcom Act requires that the costs of providing number portability be borne by "all telecommunications carriers." The FCC stated that:

Under this reading, states may require all telecommunications carriers -- including incumbent LECs, new LECs, CMRS providers, and IXC's -- to share the costs incurred in the provision of currently available number portability arrangements. As discussed in greater detail below, states may apportion the incremental costs of currently available measures among relevant carriers by using competitively neutral allocators, such as gross telecommunications revenues, number of lines, or number of active telephone numbers.

Id., ¶ 130, p. 68.

In light of the above, the Department finds its requirement that the costs associated with the provision of interim number portability be recovered only from new market entrants is inconsistent with the FCC's July 2, 1996 Order. Given the 1996 Telcom Act and the FCC's July 2, 1996 Order, SNET should therefore recover its SPLNP costs from all telecommunications carriers (i.e., incumbent LECs, CLECs, CMRS providers, and IXC's). Since all telecommunications carriers will be required to recover SNET's SPLNP costs, the Department believes that a cost recovery mechanism based on a carrier's number of active telephone numbers (or lines) relative to the total number of active telephone numbers (or lines) in SNET's service territory is appropriate and would satisfy the FCC's requirement for competitive neutrality. Id., ¶136, p. 71.

As noted above, the Department has determined that in some cases, SNET has overstated its cost components (i.e., central office function) while providing little or no justification for other costs (i.e., transport costs) it will incur resulting from its provision of SPLNP. The Department attributes these problems to SNET's inexperience in providing SPLNP. Therefore, in order for SNET to gain this experience, and so as to not delay the development of meaningful local competition, SNET should immediately begin offering SPLNP. At such time as SNET is confident that it possesses the necessary information that accurately reflects its current and expected SPLNP cost experience, SNET should submit to the Department for review and approval, a proposed SPLNP cost recovery mechanism that satisfies the FCC's criteria outlined in

the July 2, 1996 Order and allocates its costs of providing SPLNP based on the number of active telephone numbers (or lines) as of July 1, 1996.

Regarding SNET's proposed \$15 non-recurring charge, the Department finds that the major cost component of this charge is the time it takes to negotiate an order. SNET developed this negotiation cost, based on its experience in its Interstate Carrier Services Center. The Department finds that SNET has not satisfactorily explained or provided sufficient justification to support its use of an interstate negotiation expense for its SPLNP non-recurring charge. The Department expects that the carriers will cooperate in reducing this type of expense when end-users change service providers. Because the Department finds that SNET has not satisfactorily justified its proposed \$15 non-recurring charge, the Department will establish a non-recurring charge of \$5 until SNET can produce its actual cost to establish SPLNP. The Department also expects that eventually, this charge should be incorporated into the rates of the permanent solution in keeping with the concept of a seamless network of networks.

Relative to AT&T's concerns that SNET's proposed SPLNP tariff is anticompetitive because Busy Line Verification (BLV), Busy Line Interrupt (BLI), Calling Card, Collect, Bill to Third Party and other Nonsent Paid Services are not available because of a billing problem, SNET has offered to provide these services if any CLEC wants to be responsible for the charges associated with using these features. AT&T Brief, p. 25; SNET Reply Brief, p. 10. The Department encourages SNET and CLECs to negotiate a solution to this problem. During negotiations, as well as the interim period of time between the conclusion of negotiations and when a permanent LNP solution has been implemented, if it is technically feasible, SNET should provide these features to any CLEC that requests they be offered. However, the Department believes that those CLECs should be responsible for any unrecoverable costs that SNET may incur in the provision of these offerings.

Regarding TCG's objection to SNET's requirement that SPLNP be only available for Centrex-type services when SPLNP is ordered for conversion of all of the end-user's telephone numbers,²⁹ in light of Written Exceptions and Oral Argument, the Department has reconsidered this Decision and finds that while a similar limitation currently applies to SNET's retail Centrex customers,³⁰ SNET should be more flexible in the manner in which it deals with end-users subscribing to Centrex service from a competing CLEC. In particular, the Department believes that Centrex subscribers should have the ability to retain and forward their main telephone number when SNET ceases its relationship with the Centrex end-user. Relaxing SNET's proposed restriction by permitting Centrex end-users to retain their main telephone number will facilitate local competition by permitting Centrex end-users to switch carriers while conserving telephone number resources by permitting SNET to reclaim all but one of the telephone numbers utilized by that subscriber. In the Department's opinion, the goals of the 1996 Telcom Act and Public Act 94-83 will be furthered while conserving telephone number resources. Therefore, SNET should revise its tariff accordingly.

²⁹ SNET Exhibit, VJW-1, Section 18.5.2.3 - Co-Carrier/Network Interconnection Arrangements - Service Provider Local Number Portability - Regulations.

³⁰ Wimer Rebuttal Testimony, pp. 11 and 12.

Lastly, the Department finds SNET's proposal for flowing through access charge revenues to the affected CLECs acceptable. The Department believes that calls forwarded to CLECs require that CLECs provide only end office switching and delivery over CLECs local loop. The Department also believes that the January 17, 1996 Decision in Docket No. 94-10-02 required CLECs to only be compensated for those services which they themselves provide. This Decision should not be interpreted to mean that a CLEC or SNET be compensated for the respective access costs that they did not incur. Consistent with the January 17, 1996 Decision in Docket No. 94-10-02, SNET shall retain the access charge revenues for those costs it incurs for the calls traveling over its network as will the CLECs. In addition, pursuant to the Department's Decision in Docket No. 94-10-02, for calls delivered to a CLEC by SNET using SPLNP, the only access charge revenues that a CLEC will be entitled to are end office and the loop (carrier common line charge).

4. NXX Administration

The parties argue that SNET's proposed NXX Administration rates and contribution levels are excessive, are inconsistent with the 1996 Telcom Act and should be rejected. See for example OCC Brief, pp. 17-21, OCC Reply Brief, pp. 6 and 7; MCI Brief, pp. 19-21, MCI Reply Brief, pp. 7 and 8; MFSI Brief, pp. 13-16; NECTA Brief, pp. 7 and 8; TCG Brief, pp. 2-3, TCG Reply Brief, pp. 5 and 6. SNET's proposed NXX administration charge will be imposed on CLECs to recover its cost of providing NXX code assignment and recovery of such within Connecticut and North America. SNET is currently the administrator for Connecticut while Bell Communications Research (BCR) administers the plan for the Americas. This will change in the future. The 1996 Telcom Act requires that a third party administrator be appointed by the FCC. Consequently, SNET's proposed NXX Administration rates are interim.

SNET proposes a flat rate of \$1,673 per new NXX be imposed for each block of 10,000 numbers purchased by CLECs. The Department's analysis of SNET's proposed NXX administration rate suggests that it is not appropriate or desirable for several reasons. Specifically, SNET's costs for this proposed charge are derived from two sources. First, SNET states that it experiences costs just for new number administration; however, it was unable to provide any evidence to substantiate this claim. For example, SNET was unable to demonstrate that these costs are related to new number administration. During cross-examination SNET could not provide evidence as to how these costs were constructed or demonstrate that the costs it incurred were related solely to the administration of new numbers. The second source of SNET's NXX administration costs, approximately 80%, are due to BCR. SNET Exhibit, VJW-2, p. 3. SNET subsequently lowered these costs because many of its costs originally claimed could not be attributed to NXX administration. Late Filed Exhibit No. 7. The Department finds that SNET has not provided sufficient justification to demonstrate its revised NXX administration expenses are only for new numbers. Additionally, the Department finds that SNET's own documentation shows that the BCR costs are for administering NANPA, and not just new telephone numbers. SNET Exhibit VJW-2, p. 3; Late Filed Exhibit No. 7.

In light of the above, the Department is not convinced that the costs SNET has provided in support of its proposed NXX administration rates are associated solely with provisioning new numbers. For example, BCR has, and continues to generate new area codes to benefit all service providers and end-users. Each time an area code is changed, all numbers in that area code are new. SNET has clearly demonstrated that the activities which incur these costs are much more than simply administering new numbers. Late Filed Exhibit No. 7. The Department finds that SNET's NXX administration code analysis ignores this fact, and as discussed above, most of SNET's costs for NXX number administration are due to BCR. BCR costs are not allocated to SNET based on new number assignment, but based on the total size of SNET's business. Late Filed Exhibit No. 7, Attachment A. Accordingly, the Department will allocate SNET's NXX administration costs for interim rate design purposes based on the total installed base of telephone numbers and expected new numbers. The Department estimates that the total allocation base will be about 2,650,000, a base of 1,900,000 existing numbers and 750,000 new numbers.

The Department also finds that SNET has included contribution to its overhead costs based on both its internal costs and BCR costs. While BCR costs are overhead costs, the Department believes that these costs are the type which SNET would not normally be able to assign to any offering in a cost study because they relate to all offerings. As such, the Department finds no compelling reason to permit SNET to include contribution in these costs. In the Department's opinion, to allow contribution in this offering would permit SNET a double-recovery of its overhead costs.

The Department also does not believe that a [PROPRIETARY] contribution on SNET's internal labor costs is appropriate. Because the Department has determined that SNET can only offer NXX code administration at this time, and it is an essential service, the Department will limit the contribution from this offering to 15%. SNET should, therefore, reduce the NXX code administration contribution to 15% and base it solely on its own costs. ✓

Therefore, the Department will order an interim NXX code administration rate based on the evidence presented during this proceeding. This rate will be set at \$189 per 10,000 numbers and shall remain in effect until the FCC assigns a neutral third party. The Department has determined this rate based on SNET's costs provided in SNET Exhibit VJW-2, p. 3 and the revised BCR costs of [PROPRIETARY] with a 15% contribution to overhead based only on SNET's costs. That is, SNET's labor costs plus 15% [PROPRIETARY] plus BCR costs [PROPRIETARY] divided by the number of access lines plus new access lines [PROPRIETARY] equaling [PROPRIETARY] per line or a rate of \$189 per 10,000 numbers assigned or in service per year.

5. Customer Service Guide Pages

Various parties have objected to SNET's pricing of CSG pages and SNET's proposal to retain editorial control over these pages. See for example, AT&T Brief, pp. 21-25, AT&T Reply Brief, pp. 3 and 4; MCI Reply Brief, pp. 12-14; MFSI Brief, pp. 16

and 17. Pursuant to the Department's January 17, 1996 Decision in Docket No. 94-10-02, CLECs are permitted to include information, up to four pages, in SNET's Customer Service Guide pages of its directories.

SNET's directory operations are competitive with other forms of advertising; additionally, CLECs have the right to create and publish their own directories. While CLECs have the option of choosing SNET's directories for ease of operation and/or competitive necessity, this choice does not require that CSG be deemed an essential service. Because of the number of competitive alternatives (i.e., advertising mediums) currently available in the Connecticut marketplace, the Department will approve SNET's proposed CSG rates. The Department will also direct SNET to impute these rates indicated in Late Filed Exhibit No. 9 into its own services and the rates charged to any affiliate of SNET.

The Department will also permit SNET to retain editorial control over these pages. However, should any CLEC believe that SNET is using that control to impair or act as a barrier to competition, such CLEC should immediately bring the facts to the Department. The Department will act to resolve and arbitrate any complaint on an expedited basis.

6. Non-Recurring Charges

MCI and MFSI object to SNET's proposal to charge CLECs \$25.00 for a directory listing if the listing is not ordered in conjunction with a loop, port, or wholesale local exchange service.³¹ Both MCI and MFSI argue that this charge, which will only be levied against facilities-based CLECs when purchasing directory listings from SNET, is discriminatory and in violation of the Stipulation adopted in the Department's Decision in Docket No. 94-10-02. According to MCI, SNET has offered no rationale why facilities-based competitors should be required to pay this record order charge while its loop, port and wholesale local exchange service customers should not. Ball March 14, 1996 Testimony, pp. 17 and 18; MCI Reply Brief, pp. 14 and 15.

Similarly, AT&T disputes SNET's proposal to impose a \$65 non-recurring charge (NRC) when the customer's end-user does not have existing local service from SNET or when converting from Centrex type service to plain old telephone service (POTS).³² AT&T states that SNET has not provided any justification which supports the higher NRC for customers converting from Centrex to POTS than for its business customers to change services. AT&T recommends that SNET be required to justify this higher NRC or set the rate equal to the NRC rate applicable to its retail business customers. AT&T Brief, p. 26.

The Department believes SNET's proposal to impose these NRCs on facilities-based CLECs appropriately recognizes the incremental expense that SNET incurs when connecting and disconnecting these carriers' end-users when providing the

³¹ SNET Exhibit VJW-1, Sections 18.6.1 and 18.6.5.5.1, pp. 18-1 and 18-68.

³² SNET Exhibit VJW-1, Section 18.6.3, p. 18-58, Footnote ****.